Untangling Your 2017 Crop Insurance Decisions

Sherri Tomhave
Farm Credit Illinois
Why are we here?

• Important Updates to Crop Insurance for 2017
• What’s best for my operation?
• Farmer Responsibility
• Sherri’s Top Ten
Important Updates to Crop Insurance for 2017

• Reporting production accurately per selected unit designation.

• *NEW* Must designate *Prorated Production*
  – Actual (A) vs Prorated Actual (PA)
  – Cause and Affect
    • Assigned Yield = 75 percent of the prior year’s approved APH yield for the same unit
  – Meeting requirements
Important Updates to Crop Insurance for 2017

Production reported part Prorated and part Actual (If no PA descriptor if reviewed will receive assigned yield

<table>
<thead>
<tr>
<th>Unit #’s</th>
<th>Total Production</th>
<th>Acres</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001-0001</td>
<td>12,000</td>
<td>60</td>
<td>200 PA</td>
</tr>
<tr>
<td>0001-0002</td>
<td>8,000</td>
<td>40</td>
<td>200 PA</td>
</tr>
<tr>
<td>0002-0001</td>
<td>14,800</td>
<td>80</td>
<td>185 PA</td>
</tr>
<tr>
<td>0003-0001</td>
<td>14,800</td>
<td>80</td>
<td>185 PA</td>
</tr>
<tr>
<td>0004-0001</td>
<td>22,000</td>
<td>100</td>
<td>220 A</td>
</tr>
</tbody>
</table>

Production reported per unit – must be able to prove as reported or receive assigned yields

<table>
<thead>
<tr>
<th>Unit #’s</th>
<th>Total Production</th>
<th>Acres</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001-0001</td>
<td>13,200</td>
<td>60</td>
<td>220 A</td>
</tr>
<tr>
<td>0001-0002</td>
<td>8,000</td>
<td>40</td>
<td>200 A</td>
</tr>
<tr>
<td>0002-0001</td>
<td>14,800</td>
<td>80</td>
<td>185 A</td>
</tr>
<tr>
<td>0003-0001</td>
<td>13,200</td>
<td>80</td>
<td>165 A</td>
</tr>
<tr>
<td>0004-0001</td>
<td>22,000</td>
<td>100</td>
<td>220 A</td>
</tr>
</tbody>
</table>
Important updates to Crop Insurance for 2017

• High-Risk Alternate Coverage Endorsement (HR-ACE) - insures high-risk land on a separate additional coverage policy with coverage greater than CAT but less than the coverage on the base policy.

• *NEW Enterprise unit option added to HR-ACE
  – In order to have an EU on the HR-ACE, insureds must also elect and qualify for EUs under the base policy.
  – All other HR-ACE option elections must be the same as the Base policy.
Important updates to Crop Insurance for 2017

• Organic databases
  – *New* for 2017 – T-Yields will apply for both practices as they are introduced to the policy.
  – Specific T-Yields by practice are listed here
    • [https://webapp.rma.usda.gov/apps/actuarialinformationbrowser/](https://webapp.rma.usda.gov/apps/actuarialinformationbrowser/)
Important updates to Crop Insurance for 2017

• Prevent Plant coverage being updated by RMA
  – PP coverage factors were designed to provide protection based on pre-planting costs generally incurred up to the point of planting.

• Fixed and variable costs established from national and state crop budgets were compared to average insurance guarantees to establish PP coverage factors
  – Costs include purchase of machinery, land rent, fertilizer, actions taken to ready the field, pesticide, labor and repairs
Important updates to Crop Insurance for 2017

- First crops reviewed were corn, soybeans, wheat (spring), grain sorghum, rice, cotton and barley

<table>
<thead>
<tr>
<th>Crop</th>
<th>Previous Factor</th>
<th>Factor for 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>60%</td>
<td>55%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Wheat</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Cotton</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Barley</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Rice</td>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Important updates to Crop Insurance for 2017

2016 Corn PP example

• 150 bu guar x $3.85 spring price = $578/ac guar.

• PP payment on eligible acres
  – Basic PP @ 60% = $347/ac
  – PP @ 65% (PT5) = $376/ac
  – PP @ 70% (PT10) = $405/ac

• PT10 payment on 100 acres
  – $40,500 PP payment

2017 Corn PP example

• 150 bu guar x $3.85 spring price = $578/ac guar.

• PP payment on eligible acres
  – Basic PP @ 55% = $318/ac
  – PP @ 60% (PT5) = $347/ac
  – PP @ 65% (PT10) = $376/ac

• PT10 payment on 100 acres
  – $37,600 PP payment
Important updates to Crop Insurance for 2017

• **Whole Farm Revenue Protection (WFRP)**
  – All farm revenue is insured together under one policy.
    • Individual commodity losses are not considered, it is the overall farm revenue that determines losses.
  – Covers *all* commodities produced on the farm
    • Including animals and animal products
    • Commodities purchased for resale (up to 50% of total)
      – **Excluding timber, forest, forest products, and animals for sport, show or pets**
Important updates to Crop Insurance for 2017

• What kinds of farms can benefit from WFRP?
  – Highly diverse farms
  – Farms with specialty commodities
  – Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
  – Available to all farms or ranches that qualify
    • There are some limits for qualification
Important updates to Crop Insurance for 2017

- Diversification matters for WFRP
  - Eligibility for 80 & 85% requires 3 commodities
  - Diversification measure determines discount that applies to premium

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Subsidy – 1 commodity</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Whole Farm Subsidy – 2 commodities</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Whole Farm Subsidy – 3 or more commodities</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>71%</td>
<td>56%</td>
</tr>
</tbody>
</table>
Farmer Responsibility
Insured (Farmer) Responsibility:

- **Insured** as defined by *Basic Provisions* – “the named person as shown on the application accepted by us (insurance company providing insurance). This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.”

- **Liability** as defined by *Basis Provisions* - “(the insureds) total amount of insurance, value of your production guarantee, or revenue protection guarantee for the unit determined in accordance with the Settlement of Claim provisions of the applicable Crop Provisions.”

- **Liability** as defined by *Merriam-Webster* – “the state of being legally responsible for something : the state of being liable for something”

- **Responsibility** as defined by *Merriam-Webster* – “a duty or task that you are required or expected to do.”
Insured responsibilities according to the *Basic Provisions*

- Must complete Application by Sales Closing Date; provide correct SSN, EIN; select plan, coverage level, crop, type, variety, or class
- Must care for crop; use *Good Farming Practices*
- Must pay premium & admin. fees by termination day or SCD whichever is first
- Must report share of all acreage of insured crop in county (insurable & uninsurable)
- Must provide written record of annual production; must be verifiable
- All notices required to be given by insured must be in writing and received by your crop insurance agent within the designated time unless otherwise provided by the notice requirement.
  - Some actions require AIP consent
  - Must provide the AIP with the amount of harvested production to complete loss
REQUIRED STATEMENTS FOR APPROVED INSURANCE PROVIDER-ISSUED FORMS
Policyholder - Collection of Information and Data Statement -

• The following statement must be included on any form the individual signs or provided to the individual on separate form, for each form that is signed by the individual.

• The Privacy Act prohibits the disclosure of protected information absent the written consent of the individual.

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT) STATEMENT
Agents, Loss Adjusters, and Policyholders

The following statements are made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a): The Risk Management Agency (RMA) is authorized by the Federal Crop Insurance Act (7 U.S.C. 1501-1524) or other Acts, and the regulations promulgated thereunder, to solicit the information requested on documents established by RMA, or by approved insurance providers (AIPs), that have been approved by the Federal Crop Insurance Corporation (FCIC), to deliver Federal crop insurance. The information is necessary for AIPs and RMA to operate the Federal crop insurance program, determine program eligibility, conduct statistical analysis, and ensure program integrity. Information provided herein may be furnished to other Federal, State, or local agencies, as required or permitted by law, law enforcement agencies, courts or adjudicative bodies, foreign agencies, magistrate, administrative tribunal, AIPs contractors and cooperators, Comprehensive Information Management System (CIMS), congressional offices, or entities under contract with RMA.

For insurance agents, certain information may also be disclosed to the public to assist interested individuals in locating agents in a particular area. Disclosure of the information requested is voluntary. However, failure to correctly report the requested information may result in the rejection of this document by the AIP or RMA in accordance with the Standard Reinsurance Agreement between the AIP and FCIC, Federal regulations, or RMA-approved procedures and the denial of program eligibility or benefits derived therefrom. Also, failure to provide true and correct information may result in civil suit or criminal prosecution and the assessment of penalties or pursuit of other remedies.
Non-Discrimination Statement –

• Must be included on any form the individual signs or provided to the individual on separate form, for each form that is signed by the individual.
  – In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.
  – Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.
  – To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.
  – USDA is an equal opportunity provider, employer, and lender
The following language must be included on any form that the insured signs that collects information from the insured (for example, application or acreage report).

- I certify that to the best of my knowledge and belief all of the information on this form is correct. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).
**Condition of Acceptance:**

This application is accepted and insurance attaches in accordance with the policy unless: (1) The Federal Crop Insurance Corporation determines that, in accordance with the regulations, the risk is excessive; (2) any material fact is omitted, concealed or misrepresented in this application or in the submission of this application; (3) you have failed to provide complete and accurate information required by this application; or (4) the answer to any of the following questions is "yes." An answer of “yes” to these questions does not automatically result in rejection of the application. For example, if you answer “yes” to question (a) but your debt was discharged in bankruptcy; the application would not be rejected.

- **Yes**  **No**
- □  □  (a) Are you now indebted and the debt is delinquent for insurance coverage under the Federal Crop Insurance Act?
- □  □  (b) Have you in the last five years been convicted under federal or state law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance?
- □  □  (c) Have you ever had insurance coverage under the authority of the Federal Crop Insurance Act terminated for violation of the terms of the contract or regulations, or for failure to pay your delinquent debt?
- □  □  (d) Are you disqualified or debarred under the Federal Crop Insurance Act, the regulations of the Federal Crop Insurance Corporation, or the United States Department of Agriculture?
- □  □  (e) Have you ever entered into an agreement with the Federal Crop Insurance Corporation or with the Department of Justice that you would refrain from participating in programs under the authority of the Federal Crop Insurance Act and that agreement is still effective?
- □  □  (f) Do you have like insurance on any of the above crop(s)?

I understand that if coverage for any crop is currently terminated or would have subsequently terminated for indebtedness had this application been filed after the termination date, no coverage can be provided and I am ineligible for any benefits under the Federal Crop Insurance Act until the cause for termination is corrected.

We will notify you of rejection by depositing notification in the United States mail, postage paid, to the applicant’s address. Unless rejected or the sales closing date has passed at the time you signed this application, insurance shall be in effect for the crop(s) and crop years specified and shall continue for each succeeding crop year, unless otherwise specified in the policy, until canceled, terminated or voided. The insurance contract, which includes the accepted application, is defined in the regulation published at 7 CFR chapter IV. No term or condition of the contract shall be waived or changed unless such waiver or change is expressly allowed by the contract and is in writing.
Top 10 Things to Help Keep My Crop Insurance Lady Happy or *Crop Insurance Stress Management 101*
10. Renewal Time

This is where we dot our I’s and cross our T’s. This is the backbone of the policy.
9. Intended Planted Acres

Let’s get a jump on Acreage Reporting time
8. Maps of farms

We love maps! Please help us make sure they tell the right story.
7. Added Land

We love it when we get it right the first time.
6. Replant

Phone First!!
5. Hail & Wind Coverage

Let’s get this in place BEFORE the black clouds are building in the west
4. Reporting Acres

This is a BIGGY! All premiums and claims based on what is reported at Acreage Reporting Deadline.
3. Harvest Time

Mark those tickets and those bins!
2. Good Communication

Surprises are fun but NOT on your crop insurance policy.
1. There is NO stupid question.

If there is...then there is no hope for me. I ask questions EVERY day. (sometimes more than once)
Questions?

Sherri Tomhave
Farm Credit Illinois
Crop Insurance Product & Training Specialist
Email – sherri.tomhave@farmcreditil.com
Twitter - @tomhave_sherri
217-473-6371 text or call